

FILE COPY  
DARLENE GREEN  
Comptroller



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



*Internal Audit Section*

Carnahan Courthouse Building  
1114 Market St., Room 608  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

October 12, 2006

James W. Suelmann, Director  
Street Department  
1900 Hampton Avenue  
St. Louis, MO 63139-2988

RE: Process Review of Auto Towing and Storage Services Operations (Project # 2005-47)

Dear Mr. Suelman:

Enclosed is a report of our process review of Auto Towing and Storage Services operations for the period July 1, 2004 through June 30, 2005. The objective of this review was to determine if there are proper controls over towing fees / vehicles auction proceeds collection and deposit processes and if expenditures processes have adequate controls in place to provide reasonable assurance of:

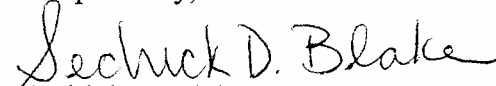
- The accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies, and procedures.
- The safeguarding of assets.
- The reliability and integrity of financial information.
- The economic and efficient use of resources.

Our fieldwork was completed on June 15, 2006. Management responses to the observations and recommendations noted in the report were received on October 4, 2006 and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the International Standards for Professional Practice of Internal Auditing.

If you have any questions, please contact me at (314) 589-6132.

Respectfully,

  
Sedrick D. Blake, CPA  
Internal Audit Executive

cc: Honorable Darlene Green, Comptroller  
Ronald Smith, Operations Manager, Office of the Mayor  
Claude Gunn, Manager, Auto Towing and Storage Services

Enclosure



# CITY OF ST. LOUIS

*STREET DEPARTMENT*

*AUTO TOWING AND STORAGE SERVICES*

*OPERATIONS PROCESS REVIEW*

*JULY 1, 2004 THROUGH JUNE 30, 2005*

*PROJECT #2005-47*

*DATE ISSUED: OCTOBER 12, 2006*

*Prepared by:  
The Internal Audit Section*



## OFFICE OF THE COMPTROLLER

**Honorable Darlene Green, Comptroller**

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**EXECUTIVE SUMMARY**

**Purpose**

We have completed a process review of Auto Towing and Storage Services. The purpose of this review was to determine if there are proper controls over towing fees / vehicles auction proceeds collection and deposit processes and if expenditures processes have adequate controls in place to provide reasonable assurance of:

- The accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies, and procedures.
- The safeguarding of assets.
- The reliability and integrity of financial information.
- The economic and efficient use of resources.

**Conclusion**

Overall, we noted the commitment of the management and staffs of Auto Towing and Storage Services in the discharge of their services to the City of St. Louis in general. However, we concluded that the opportunity exists for Auto Towing and Storage Services to improve its operational processes. The following are observations resulting from our review:

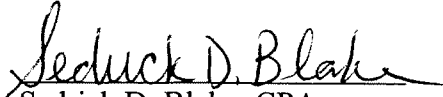
1. Opportunity to Improve Security over the Daily Deposit to the Treasurer's Office of Money Collected from Auction Sales and Redeemed Towed Vehicles.
2. Opportunity to Develop Policy and Procedure on the Acceptance of Credit Cards for the Payment of Towing Fees Due, Prior to the Release of Towed Vehicles.
3. Opportunity to Improve Supervisory Review over Accounting Functions and the Need to Maintain Proper Accounting Records.
4. Opportunity to Develop Policies and Procedures Pertaining to Claims Reimbursements and Documentation of Items Found in Towed Vehicles.
5. Opportunity to Develop written Code of Conduct for Employees.

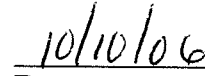
Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**EXECUTIVE SUMMARY**

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the International Standards for Professional Practice of Internal Auditing.

  
Sedrick D. Blake, CPA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**TABLE OF CONTENTS**

<b><u>Description</u></b>	<b><u>Page(s)</u></b>
<b>INTRODUCTION</b>	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	2
Management's Responses	2
Acknowledgement	2
<b>OBSERVATIONS</b>	
Status of Prior Observations	3
Summary of Current Observations	3
<b>DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES</b>	
	4-9

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**INTRODUCTION**

**Background**

The Auto Towing and Storage Services is a division of the Street Department. Its mission is to respond to all tows in a timely, safe and efficient manner.

The Auto Towing and Storage Services manages the towing of cars within the City and this falls into two categories; cars towed under orders of the Police Department and cars that have been abandoned. It also assists the Street Maintenance Division by removing illegally parked cars to allow for snow removal or paving operations and the Equipment Services Division by towing City-owned vehicles to the repair facilities. The division contracts with a private company to help with the increase in the request for towing of vehicles city-wide.

**Purpose**

The objective of this review was to determine if there are proper controls in place over towing receipts and expenditures in order to provide reasonable assurance of the :

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies, and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial information.
- Economic and efficient use of resources.

**Scope and Methodology**

We confined the review of Auto Towing and Storage Services operations to the period July 1, 2004 through June 30, 2005. Our procedures included inquiries of management and staff, observation of relevant processes, and reviews for compliance with the applicable policies and procedures, as well as the applicable laws and regulations. We performed limited tests of controls, and performed other procedures considered necessary. Our fieldwork was completed on June 15, 2006.

**Exit Conference**

We conducted an exit conference at the Auto Towing and Storage Services Division on September 25, 2006. Auto Towing and Storage Services was represented by its Manager Mr. Claude Gunn. The Internal Audit Section was represented by Audit Supervisor Ishmael Ikpeama and Auditor-in-charge Olaide Hassan.

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**INTRODUCTION**

**Management's Responses**

We received management responses to the observations and recommendations identified in this report from Auto Towing and Storage Services on October 4, 2006. These responses have been incorporated into this report.

**Acknowledgement**

Internal Auditor acknowledged the cooperation and support of the Auto Towing and Storage Service's management and staff during the review.

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**OBSERVATIONS**

**Status of Prior Observations**

The Internal Audit report of the Auto Towing and Storage Services' administrative fees collected under Ordinance # 64668 issued on March 16, 2001 noted the following observations:

- Opportunity to Establish Controls Over the Waiving of Boot Fees.  
**Resolved** (Follow-up report dated November 27, 2001).
- Opportunity to Establish Policies and Procedures to Administer the Boot Program. **Resolved** (Follow-up report dated November 27, 2001).
- Opportunity to Improve Reconciliation Process with S&H Company. Auto Towing and Storage Services discontinued the towing contract with S&H Company. The contract is now between the Police Department and S&H Company. **The review of the observation is considered outside the scope of the current audit.**
- Opportunity to Improve Reconciliation Process with the Treasurer's Office.  
**Resolved** (Follow-up report dated November 27, 2001).

**Summary of Current Observations**

Overall, we noted the commitment of the management and staff of Auto Towing and Storage Services in the discharge of their services to the City of St. Louis in general. However, we concluded that opportunity exists for Auto Towing and Storage Services to improve its operations. Our review resulted in the following observations:

1. Opportunity to Improve Security over the Daily Deposit to the Treasurer's Office of Money Collected from Auction Sales and Redeemed Towed Vehicles.
2. Opportunity to Develop Policy and Procedure on the Acceptance of Credit Cards for the Payment of Towing Fees Due, Prior to the Release of Towed Vehicles.
3. Opportunity to Improve Supervisory Review over Accounting Functions and the Need to Maintain Proper Accounting Records.
4. Opportunity to Develop Policies and Procedures Pertaining to Claims Reimbursements and Documentation of Items Found in Towed Vehicle.
5. Opportunity to Develop Written Code of Conduct for Employees.

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.



**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**1. Opportunity to Improve Security over the Daily Deposits to the Treasurer's Office of Money Collected from Auction Sales and Redeemed Towed Vehicles**

Sound internal control requires proper safeguard of entity's assets including but not limited to money collected from daily operations.

As noted during the fieldwork and confirmed with the Auto Towing and Storage Services' Manager, daily receipts from redeemed towed vehicles and proceeds of weekly vehicle auctions are deposited with the Treasurer's Office on daily basis by an employee (tow truck driver or foreman) of the Auto Towing and Storage Services. On a typical vehicle auction day, Auto Towing and Storage Services employee deposits substantial sums of money to the Treasurer's Office. For example, the sum of \$32,765 and \$38,480 were deposited on March 3 and 17, 2005 respectively. Also, the sum of \$22,820 and \$22,195 were deposited on May 5, 2005 and June 2, 2005. These deposits were made, however, without any security arrangement to safeguard the transportation of money to the Treasurer's Office.

The management of Auto Towing and Storage Services appears to not aware of the risk involved with the current arrangement. Failure to provide adequate security arrangement for the transportation of such substantial sums of money may result into a total loss of funds in a situation where the driver is attacked while transporting the money to the Treasurer's Office. Instances of collusion with outsiders may result in substantial financial losses to the City.

**Recommendation**

We recommend that the management of Auto Towing and Storage Services contract with a reputable Security Company for the daily deposit of money to the Treasurer's Office.

**Note:**

*Auto Towing and Storage Services may contact the Treasurer's Office for information on the City of St. Louis existing contract with Security Company providing similar services to the Treasurer's Office for daily deposit to the Bank.*

**Management's Response**

*Security of deposits: Even though there has never been an incident we agree that it may be prudent of us to look in to improving our system of depositing revenue. Therefore, I will contact Judy Montgomery, Treasurer's Office, and ask her for information and assistance. Depending on the cost of a private security company picking up deposit: It may not be implemented until next fiscal year.*

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**2. Opportunity to Develop Policy and Procedure on the Acceptance of Credit Cards for the Payment of Towing Fees Due Prior to the Release of Towed Vehicles**

Sound management principle requires the establishment of standard policy and procedures that ensure that towing fees due, are collected prior to the release of towed vehicles.

Auto Towing and Storage Services management informed us that credit cards are accepted for the payments of towing fees due from towed vehicles owners. Payments for towing fees made with credit cards for the month of January and February 2005 were accurately collected and deposited with the Treasurer's Office. However, a payment made with a company (third party) credit card in October 2004 by an employee of the company was disputed and returned unpaid in February 2005. The sum of \$2,040.00 towing fees due remained uncollected as of the time of this review. The shift foreman collected credit card information from the employee by phone. Company's approval was not obtained for the use of the credit card for payment.

Auto Towing and Storage Services does not have standard policy and procedures on the acceptance of third party credit cards for the payment of towing fees due. Failure to establish policy and procedures on the use of credit cards by customers for payment of towing fees due may result in recurring losses of revenue if claims are subsequently disputed or rejected.

**Recommendation**

We recommend that the division develop written policy and procedures for accepting credit cards for payment of towing fees due. The policy and procedures will include but not limited to the following:

1. Credit Cards for payments are accepted from the credit card holders only.
2. Valid identification must be provided by the card holder and documented.
3. Transaction approval must be obtained from the credit card company at the time of payment.
4. The written policy and procedures should be communicated to employees and acknowledged by all shift employees and foremen.

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**Observation #2 cont'd.**

**Management's Response**

*Credit Cards: We agree to put up in writing the recommended suggestions. The incident in question was an isolated one under unusual circumstances. We do approximately 1500 transactions a year and that was the only one where the customer contested.*

**3. Opportunity to Improve Supervisory Review over Accounting Functions and the Need to Maintain Proper Accounting Records**

Sound accounting principle requires proper supervisory review over accounting functions and maintaining proper accounting records to ensure the reliability and integrity of financial information.

The Accounts Clerk does not maintain a cash journal to keep records of daily deposits to the Treasurer's Office.

Supervisory review of the Receipt Coded Forms (RCF), prepared by the Accounts Clerk for the daily deposit of the receipts with the Treasurer's Office, was not performed. For example, auction proceeds in the amount of \$1,305.00 deposited with the Treasurer's Office on February 11, 2005 was posted on the RCF to account #4435050 instead of account #4641060, designated for auction proceeds. The wrong posting was not identified and corrected. Additionally, Proper accounting records are not maintained internally by the Accounts Clerk to facilitate the reconciliation of receipts to the City's General Ledger. The Accounts Clerk, however, maintains copies of the RCFs for the daily deposits.

Failure to ensure proper supervisory review of the Accounts Clerk's functions may result in inaccurate financial reporting due to wrong postings. Failure to maintain proper accounting record such as Cash Receipts Journal may lead to the lack of reconciliation of the receipts to the General Ledger.

**Recommendation**

We recommend that the Auto Towing and Storage Services Management implement supervisory review to ensure that the Accounts clerk:

1. Maintains cash journal to record daily deposits to the Treasurer's Office.
2. Performs monthly reconciliation of the cash journal to the City's General Ledger.

**CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005**

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**Observation #3 cont'd.**

**Management's Response**

*The Account clerk and I will develop a system and procedure that meet the required suggestions and recommendations.*

**4. Opportunity to Develop Policies and Procedures Pertaining to Claims Reimbursements and Documentation of Items Found in Towed Vehicles**

Written policies and procedures pertaining to claims reimbursements may ensure proper claims verification and documentation of items found in the towed vehicles.

Auto Towing and Storage Services require tow truck drivers to complete a form describing the external condition of the towed vehicle. They are not required, however, to document items found in the vehicle at the time of towing.

We reviewed some of the claims reimbursed by Auto Towing and Storage Services in the months of July 2004 and April 2005. We noted it reimbursed the owners of the towed vehicles for the items claimed missing from the vehicle after the towing. There are no established procedures to verify their claims. For example, a claimant was reimbursed the sum of \$2,003.10 for air fare and other traveling expense in order to recover his vehicle. In the absence of the documents supporting the claim we were unable to verify the validity of the claim.

**Recommendation**

We recommend that Auto Towing and Storage Services develop policies and procedures pertaining to reimbursement of claims for lost items and for towing related expenses claimed by vehicle owners. The policies and procedures should:

1. Require that all reimbursement claims be adequately supported with relevant / related documents.
2. Require that tow truck driver submit to the shift foreman listing of items found in the vehicle at the time of delivering the vehicle at towing lots.
3. Be formally communicated to the staff and that the communication is documented.
4. Be reviewed and updated regularly.

CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**Observation #4 cont'd.**

**Management's Response**

*We currently require written estimates and/ or documentation on all claims. For whatever reason copies were not kept at time of processing, that particular voucher was an exception. I personally reviewed that claim and approved it.*

*Our drivers list on the tow tickets those items that can be seen on the dash or seats of towed vehicle. I do not encourage my drivers to search through vehicles; that could lead to more accusations.*

**5. Opportunity to Develop Written Code of Conduct for Employees**

Sound management principle requires the development of employee code of conduct regarding integrity and standards for ethical and moral behavior.

Auto Towing and storage Services does not have written employee code of conduct defining acceptable practices, conflicts of interest, or expected standards of ethical and moral behavior. Management claimed honesty and integrity is emphasized to all of the division's employees. Management believed they have conveyed what is proper behavior by addressing cases of improper behavior and leading by example.

Failure to develop written code of conduct, effectively communicated to employees may make the enforcement of a standard of acceptable behavior difficult for management.

**Recommendation**

We recommend that the Auto Towing and Storage Services management develop written code of conduct regarding acceptable practices, conflict of interest, or expected standard of ethical and moral behavior. The code of conduct should be:

1. Approved by the Auto Towing and Storage Services management.
2. Communicated to all employees of the division and the distribution documented.
3. Reviewed and updated regularly.

CITY OF ST. LOUIS  
AUTO TOWING AND STORAGE SERVICES  
STREET DEPARTMENT  
OPERATIONS PROCESS REVIEW  
JULY 1, 2004 THROUGH JUNE 30, 2005

DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES

Observation #5 cont'd.

Management's Response

*Since the City has their own code of conduct I didn't realize we as an agency needed a separate one. I will begin working on one as soon as possible.*